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Illy on a Mission to Convert Coffee Lovers

Marketing VP Stotz Explains How 'Deliberate Marketing' and Authenticity Set Brand Apart

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NEW YORK (AdAge.com) -- I was smart enough to bypass my morning coffee the day I interviewed Beverly Stotz, VP-marketing at Illy Caffè North America. Upon arriving at the company's Manhattan office I was handed a cappuccino brewed using one of the family-owned company's single-serve capsules. Single-serve is the future of coffee, Ms. Stotz tells me, and I can see why, after witnessing how easy it is to use and sampling the results.



Beverly Stotz

"In a time when people are busy and rushed to do so many things, this notion of simplicity, ease of use, yet terrific quality is very appealing to people," explains the 25-year marketing vet who is responsible for all aspects of the Italian coffee company's North American marketing. She reports directly to Barry Sheldon, senior-VP commercial and marketing operations.

The company considers its competition to be established names in espresso, like Nespresso, as well as a growing cadre of smaller roasters and producers of gourmet packaged coffee, such as Starbucks, so marketing its Italian authenticity in an increasingly crowded category is a challenge. And while more people are using Illy's espresso machines and pods at home, plenty are still looking to enjoy the brand away from home too. To showcase Illy's in-store experience, the team has planned a visit to At65, the café at Lincoln Center. But just as we're headed out the door, Illy's team realizes the café isn't yet open. After a quick confab, the group decides we'll head to The Food Emporium at Third Avenue and 68th Street instead. I'll admit to being a bit surprised; I expected a carefully scripted store visit. But apparently, Illy is just that confident in its retail partners.

The baristas brewing Illy typically receive a week of training, Ms. Stotz says. And often, Master Barista Giorgio Milos, a charismatic Italian and longtime Illy employee, visits new accounts to teach them the art of brewing a perfect espresso. I can vouch for his training techniques: The Food Emporium employees, who clearly had no idea Illy's VP-marketing was in their midst, served up my second perfect cappuccino of the day.

Over our cappuccinos -- Ms. Stotz tries to limit herself to three a day, though some of her Italian colleagues have as many as seven daily -- the L'Oréal and Häagen-Dazs alum talked about marketing what she says is a "discovery brand," why Illy might be in the market for an agency, and the impact cheap espresso drinks are having on the category.

Ad Age: Who drinks Illy?

Ms. Stotz: First, they're passionate about coffee. They tend to live in urban centers, and we're very much a bi-coastal brand and an urban brand. They tend to be professional, highly educated. Somewhere around 25% have a graduate-level degree and the age break would be mid-30s to late-50s. Psychographically speaking, they're interested in food, wine and in seeking the best in life.

Ad Age: How do you market a 'discovery brand'?

Ms. Stotz: We could summarize what we do in marketing of Illy here in North America as active engagement. I've been here now for 12 years, and I can say that when you're a small brand, when you're really a high-end brand, you have to be very deliberate in the kinds of marketing that you do. We could do a lot of passive marketing or media, but what we believe is that, in order to really convert a consumer to drinking Illy, we need to actively engage them. They need to taste the coffee, try the coffee, and we need to talk to them a little bit and educate them about the coffee.

Ad Age: According to Kantar Media, Illy spent just \$3 million on measured media last year, so what are you spending on?

Ms. Stotz: We've done a number of initiatives where we tie in with events. An example; We participated in the New York Wine and Food Festival. We had a pop-up lounge for about a week where we were able to bring in foodies, journalists and consumers, to showcase our love of art, one of our core brand associations. At the same time we were sampling and serving coffee the whole week. That's a good example of experiential marketing.

Ad Age: Have you considered an agency of record?

Ms. Stotz: Not at the moment, because we don't spend that much in paid media. However, in the digital space, because social media and digital marketing are emerging so much, here's an opportunity to connect with a partner that could understand our ethos and what we stand for, to help us with social media and word-of-mouth marketing. Essentially, we're targeting 10% to 20% of the U.S. population, so broad-based stuff doesn't really work for us. It's really about our group of brand advocates and then finding more of them and more of them. Social media and word of mouth is a sweet spot we'd like to explore further.

Ad Age: How have you seen the competitive landscape shift, with the emergence of cheaper espresso-based drinks from places such as McDonald's?

Ms. Stotz: It's great for the market, in general, because it democratizes the coffee experience and it gets more people thinking about espresso-based drinks. If you could consider a trade-up strategy, it would allow people to come in at an entry level, and as their taste gets more sophisticated there's an opportunity to continue trading up.

Ad Age: Earlier you mentioned single-serve as a big growth area. Why has it been so slow to catch on? Kraft, Sara Lee and Procter & Gamble spent a lot of money pushing single-serve systems in the earlier part of the decade.

Ms. Stotz: Changing behavior can take a little bit longer, but I really see a good momentum going now, and every day you see more and more. Retailers are even starting to dedicate huge linear footage in their shelf sets to single-serve coffee.

Ad Age: Illy has teamed up with Coca-Cola on a joint venture to market Illy Issimo, a ready-to-drink coffee beverage. Is that also an area of growth?

Ms. Stotz: It's been an incredible synergistic effort. The mother brand Illy really is the driver of awareness and trial, but at the same time, Illy Issimo appeals to young, urban professionals who can now take Illy with them on the go. It's much more occasion-centric. In a way, it's an easier access point. Price point is about \$2.50. So it's a great way to get first trial on the brand and maybe convert them to the roasted product.

Ad Age: Do you see your customers coming out of the recession?

Ms. Stotz: We're seeing really good growth in the high single digits to close to double-digit growth from a lot of our retailers, Sur La Table, Williams-Sonoma. Things are starting to turn around, and we're seeing it in our numbers. In the on-premise side, at our partners like Ritz-Carlton and Four Seasons, we know that their occupancy rates are up, that they're able to again charge room rates that are appropriate for them, so we're seeing good positive signs across the board.

5 TIPS

1. Give partners the tools they need for success. Then trust them.
2. Actively engage consumers; give them a reason to choose you.
3. Become a part of your consumers' ritual.
4. Continually refine your distribution strategy to maximize consumption occasions.
5. If you're a high-end brand, give the general consumer a point of entry but stay true to your equity.

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